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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 000041

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SUBJECT: ROYG STAGGERS FORWARD IN FIGHT AGAINST CORRUPTION

REF: A. SANAA 3610

1B. SANAA 207948

Classified By: Thomas C. Krajeski for reasons 1.4 (b) and (d).

11. (C) SUMMARY. Yemen's Cabinet approved a new anti-corruption law, calling for the creation of an independent High Commission for National Corruption. Neither the extent of the Commission's powers nor its relationship to existing ROYG institutions -- or the newly created anti-corruption role for the National Security Bureau -- is entirely clear at this time, but the Cabinet suggested that it will have broad authority to investigate and prosecute crimes. The proposed law is part of a hurried response by the ROYG to growing calls for reform from donor countries, and is one of a number of initiatives on the table. Corruption is rising to the top of the ROYG's policy agenda, but it is not yet evident if President Saleh is ready to truly take aim at Yemen's corrupt elite. END SUMMARY.

A Small Law for a Big Problem

12. (C) On December 27, Yemen's Cabinet approved a new anti-corruption law implementing President Saleh's call for a new, independent High Commission for National Corruption. The proposed law is vague on specifics, but appears to give the new body power to investigate and prosecute cases of wrongdoing. If approved by Parliament, the Commission would have jurisdiction over crimes involving payroll, embezzlement, forgery, bribery, smuggling, money laundering, and tendering. The Commission would operate alongside existing anti-corruption institutions, including the Central Organization for Audit and Control (COCA) and the National Anti-Corruption Committee, both based in the President's Office. Some officials at the Ministry of Planning told Econoff that they were unclear what would be the respective powers of overlapping anti-corruption bodies.

13. (SBU) The Cabinet proposed that the Commission consist of nine members serving five-year terms, chosen by the President from a list of 20 candidates recommended by Parliament. The law also empowers the President to appoint an Executive Manager and a Deputy Manager directly, and notes that the Commission will have power "equivalent to the Ministry of Finance." The anti-corruption body is to operate with financial independence, but the Cabinet declined at this time to say by what mechanism this would occur. There are a number of other obscure references to the need for bilateral agreements with other countries in order to investigate financial crimes. The text indicates that the ROYG will clarify these issues in future bylaws.

ROYG Anti-Corruption Efforts "A Failure"

14. (SBU) This is the latest in a series of declarations by the ROYG that it is cracking down on corruption. The announcement followed an increasingly hard line on the part of donor countries against government corruption, and it is clear that the new initiatives originate with the President. (Ref A) At a recent corruption conference for members of COCA and the judiciary, Presidential Office Manager and Director of the National Security Bureau (NSB) Ali al-Anissi declared current ROYG efforts to combat corruption a failure. COCA reports have not resulted in any legal consequences, he said, and pointed to the High Tendering Board (HTB) as the "center of all corruption." (NOTE: The HTB is headed by the Prime Minister and thought to be under the control of the Minister of Finance. END NOTE.)

15. (C) Anissi explained that the new commission would differ from existing ROYG institutions in that "it will prevent corruption before it happens." He did not expound on how the Commission would accomplish this goal. Anissi also hinted at the creation of a new anti-corruption unit within the NSB, but did not specify its mandate. (NOTE: Ammar Saleh, the President's nephew, is the de facto head of the NSB. END NOTE.)

Saleh Not the Answer

16. (C) COMMENT: The ROYG's recent surge of activity indicates that President Saleh was shaken by tough talk on corruption during his recent visit to Washington. (Ref B) Saleh feels the need to placate the USG and other donors, who are growing increasingly impatient with the slow pace of reform. The scattershot approach taken by the ROYG, however, does not provide clear remedies at this stage. The new anti-corruption law offers the possibility of prosecuting corrupt officials, but is more an exercise in brainstorming than meaningful legislation. Claims of independence for the new High Commission for National Corruption appear exaggerated, with the President maintaining considerable power over key personnel. The NSB's proposed role in combating corruption is a somewhat ominous development, expanding Saleh's power over judicial functions. In general, the ROYG continues to labor under the misconception that the President will personally provide a solution to Yemen's corruption, when in fact he is part of the problem. END

COMMENT.
Krajeski